



June 29, 2006

## College Affordability Packet

### College costs are soaring:

- ★ Cost of attending public college has jumped by 32 percent since 2000-2001
- ★ Cost of attending private college has jumped by 21 percent since 2000-2001
- ★ The typical student borrower now graduates from college with \$19,300 in debt

### The Republican record:

- ★ In February, the Republican Congress enacted a \$12 billion Raid on Student Aid, making college even less affordable for America's families
- ★ Under the GOP statute, the interest rate on new student loans is rising to 6.8 percent from 5.3 percent
- ★ Under the GOP statute, the interest rate on new parent loans is rising to 8.5 percent from 6.1 percent

### Democrats' proposal:

- ★ Cuts the interest rate on new student loans in half - from 6.8 percent to 3.4 percent
- ★ Cuts the interest rate on new parent loans in half - from 8.5 percent to 4.25 percent
- ★ Saves the typical undergraduate student borrower, with \$17,500 in debt, a total of \$5,600 over the life of his or her loans

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# **MESSAGE ON COLLEGE AFFORDABILITY**

- **Democrats are fighting to make college more affordable.**
- **Earlier this year, Republicans enacted a \$12 billion Raid on Student Aid, which included providing for interest rates on student loans to rise.**
- **Under the Republican statute, on July 1, the interest rate on new student loans will jump from 5.3 percent to 6.8 percent and the interest rate on new parent loans will jump from 6.1 percent to 8.5 percent.**
- **Democrats are fighting to Reverse the Raid on Student Aid, cutting these interest rates in half – from 6.8 percent to 3.4 percent on new student loans and from 8.5 percent to 4.25 percent on new parent loans.**
- **For a typical undergraduate student borrower, with a student loan debt of \$17,500, this Democratic proposal would save them \$5,600 over the life of his or her loans.**

# DEMOCRATS ARE FIGHTING TO MAKE COLLEGE MORE AFFORDABLE

*Under Republicans, College Is Becoming More Expensive*

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**The cost of college is soaring.** Middle-income families are hard-pressed to keep up with rising college costs. Since the 2001-2002 school year, the cost of attending a public four-year college or university (tuition, fees, and room and board) has jumped by an astounding 32 percent – from \$8,655 to \$11,441. Similarly, the cost of attending a private four-year college or university (tuition, fees, and room and board) has jumped by 21 percent – from \$21,907 to \$26,489.

**At the same time, college grants make up a smaller percentage of student aid – leaving students to rely more and more on student loans.** Over the last 30 years, student aid has moved increasingly from student grants to student loans. Without adequate federal grants, students and their parents have had to rely increasingly on student loans to finance their college educations. More students are borrowing, and borrowing larger amounts, than ever before. Indeed, the percentage of undergraduates at four-year colleges taking out loans has risen to more than 60 percent.

**The typical student borrower now graduates from college with \$17,500 in debt.** According to the National Center for Education Statistics, the typical student borrower now graduates from college with \$17,500 in federal student loan debt. Back in 1992-1993, it is estimated that the typical student borrower graduated from college with only \$8,946 in federal student loan debt. That means that the average federal student loan debt has virtually doubled since 1992-1993. The Project on Student Debt has also developed state-by-state estimates on average student loan debt upon graduating – ranging from \$11,039 in Utah to \$24,527 in Idaho (the state-by-state estimates are included in the packet).

**The high cost of college is putting college out of reach for more and more young people.** According to the Congressional Advisory Committee on Student Financial Assistance, financial barriers will prevent 4.4 million high school graduates from attending a four-year public college over the next decade, and prevent another 2 million high school graduates from attending any college at all.

**The U.S. is also experiencing a shortage of college-educated workers.** By 2020, the U.S. is expected to experience a shortage of up to 12 million college-educated workers. The GOP Raid on Student Aid will undermine America's competitiveness in the global economy. Whether the U.S. retains its preeminence in the increasingly competitive global economy will depend more and more on having a highly-skilled workforce – and higher education is the critical tool for building that workforce.

**And yet, despite college becoming less affordable, in February, the Republican Congress enacted a Raid on Student Aid – slashing \$12 billion from student aid programs.** Earlier this year, the Republican Congress cut \$12 billion out of the federal student aid programs in order to help finance tax breaks for the wealthiest Americans. Most of the savings generated from the cuts to the student aid programs were achieved by continuing the practice of forcing student and parent borrowers in many cases to pay excessive interest rates on their loans and by increasing college loan costs for parent borrowers.

**Under the Republicans, the interest rate on new student and parent loans will jump on July 1.** Under the Republican statute, the interest rate on new student loans will rise to a fixed rate of 6.8 percent on July 1, 2006 – up from the current rate of 5.3 percent. Under the Republican statute, the interest rate on new parent loans will rise to a fixed rate of 8.5 percent on July 1, 2006 – up from the current rate of 6.1 percent.

**Democrats are working to Reverse the Raid on Student Aid – by slashing interest rates on new student and parent loans in half.** Democrats are working to enact a bill introduced by Rep. George Miller in the House and Sen. Dick Durbin in the Senate (H.R. 5150/S. 2573) that would reverse the raid on student aid by slashing these interest rates on new loans in half. In other words, the bill cuts the interest rate on new student loans from a fixed rate of 6.8 percent to a fixed rate of 3.4 percent and cuts the interest rate on new parent loans from a fixed rate of 8.5 percent to a fixed rate of 4.25 percent.

**For the typical undergraduate borrower with \$17,500 in debt, this Democratic proposal would save them \$5,600 over the life of his or her loans.** Cutting the interest rate on new student loans from 6.8 percent to 3.4 percent would dramatically reduce the burden of a student's loan debt. Specifically, cutting the rate to 3.4 percent would save the average student \$5,600 over the life of his or her loans (the packet also includes estimates of how much the average student would save under the Democratic proposal in each state).

**Democrats are also pursuing many other proposals to make college more affordable.** In addition to slashing the interest rates on new student loans in half, Democrats are also fighting to raise the maximum Pell Grant from \$4,050 to \$5,100; make college tuition deductible from taxes; and block the numerous cuts in higher education assistance included in President Bush's FY 2007 budget.



Office of the House Democratic Leader Nancy Pelosi, June 29, 2006  
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# **THE “REVERSE THE RAID ON STUDENT AID” ACT**

## ***Democrats Introduce Bill to Slash Interest Rates on Student Loans in Half***

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On April 6, Rep. George Miller (D-CA) and Sen. Dick Durbin (S. 2573) introduced the “Reverse the Raid on Student Aid” Act.

Earlier this year, the Republican Congress had enacted a “Raid on Student Aid,” as part of the GOP reconciliation bill (PL 109-171) – which cut \$12 billion out of the federal student aid programs in order to help finance tax breaks for the wealthiest Americans. Most of the savings generated from the cuts to the student aid programs were achieved by continuing the practice of forcing student and parent borrowers in many cases to pay excessive interest rates on their loans and by increasing college loan costs for parent borrowers.

Congress should be making college more affordable, but instead Washington Republicans chose to put college further out of reach for American students and families.

Democrats want to make students whole again and the Reverse the Raid on Student Aid Act (H.R. 5150/S. 2573) would help make college more affordable by:

- Cutting interest rates in half for new student loans from a fixed rate of 6.8 percent to a fixed rate of 3.4 percent; and
- Cutting interest rates in half for new parent loans from a fixed rate of 8.5 percent to a fixed rate of 4.25 percent.

Under this bill, the typical student borrower, graduating from college with \$17,500 in debt, would save \$5,600 over the life of his or her loans.



## Sample Op-Ed

### **Democrats Are Fighting to Make College More Affordable**

For the first time in U.S. history, a generation of American students is going deeply into debt to pay for college. College tuition and student loan debts continue to soar, and higher interest rates on college loans took effect on July 1<sup>st</sup>. These higher rates will only make the college affordability crisis worse.

Nearly two-thirds of students attending four-year public colleges now take out college loans, according to the Center for Economic and Policy Research. In 1990, just 46 percent of these students took out college loans. Meanwhile, the typical student now graduates from college with \$17,500 in federal college debt – an all-time record.

This debt is the unfortunate price that today's young people are being forced to pay in order to keep up with rapidly rising tuition costs. Tuition at four-year public colleges has increased by 40 percent, in inflation-adjusted terms, since 2001.

Despite all of this, however, in February of this year the Republican-controlled Congress – over unanimous Democratic opposition – approved a budget-cutting bill that slashes \$12 billion out of the federal student aid programs in order to help finance tax breaks for the wealthiest Americans. This Republican Raid on Student Aid was the largest single cut to the federal student aid programs ever. **[Optional line:** Most of the savings generated from the cuts to the student aid programs were achieved by continuing the practice of forcing student and parent borrowers, in many cases, to pay excessive interest rates on their loans and by increasing college loan costs for parent borrowers].

At a time when millions of American families are already struggling to pay the tuition bills – and when hundreds of thousands of qualified young people are being shut out of college because they can't afford it – there is no excuse for Congress' decision to put higher education even further out of reach.

Democrats in the House and Senate want to cut college loan interest rates in half, to 3.4 percent for students and 4.25 for parents. Talking about interest rates can make anyone's eyes glaze over pretty quickly, but consider this: cutting rates in half would save \$5,600 – \$5,600! – for students with \$17,500 in debt.

For America to continue to be the land of opportunity, every qualified student has got to be able to afford a college degree. It is just wrong to deny that opportunity to young people who can't afford it.

And this is not just about doing what's right; it's also about doing what's best for the country. Recent college graduates have incomes about 80 percent higher, on average, than recent high school graduates, according to the Economic Policy Institute. That means they do more to boost the economy and they pay more in taxes. In light of record federal budget deficits, improved college opportunities are an investment we simply can't afford *not* to make.

*The Honorable George Miller  
Senior Democrat, House Education and the Workforce Committee  
June 29, 2006 • Page 1 of 2*

The unfortunate truth is that Republican leaders are highly unlikely to act on behalf of American families trying to pay for college. They're still too busy working on tax cuts for people making over \$1 million per year. But if there's a change of leadership in Washington, Democrats have promised a new direction for the country that would make college affordability a top priority. And given the college debt crisis, this new direction is urgently needed.



## NUMBER OF COLLEGE STUDENTS BY STATE

STATE	COLLEGE STUDENTS
Alabama	255,826
Alaska	30,869
Arizona	490,925
Arkansas	138,399
California	2,374,045
Colorado	300,914
Connecticut	172,775
Delaware	49,804
DC	99,988
Florida	866,665
Georgia	434,283
Hawaii	67,225
Idaho	76,311
Illinois	801,401
Indiana	356,801
Iowa	217,646
Kansas	191,590
Kentucky	240,097
Louisiana	246,301
Maine	65,415
Maryland	312,493
Massachusetts	439,245
Michigan	620,980
Minnesota	349,021
Mississippi	152,115
Missouri	365,204
Montana	47,173
Nebraska	121,053
Nevada	105,961
New Hampshire	70,163
New Jersey	380,374
New Mexico	131,577
New York	1,141,525
North Carolina	472,709
North Dakota	49,533
Ohio	614,234
Oklahoma	207,625
Oregon	199,985
Pennsylvania	688,780
Rhode Island	80,377
South Carolina	208,910
South Dakota	48,708
Tennessee	278,055
Texas	1,229,197
Utah	194,324
Vermont	38,639
Virginia	425,181
Washington	343,524
West Virginia	97,884
Wisconsin	331,506
Wyoming	33,955

SOURCE: Department of Education, Digest of Education Statistics Tables & Figures, 2005.

# **RISING COST OF COLLEGE IN THE STATES: TUITION, FEES, ROOM & BOARD FOR PUBLIC FOUR-YEAR COLLEGES**

STATE	2000-01	2004-05	PERCENT INCREASE
Alabama	\$7,338	\$9,819	33.8%
Alaska	\$8,386	\$9,936	18.5%
Arizona	\$7,872	\$10,863	38.0%
Arkansas	\$6,789	\$8,734	28.6%
California	\$9,592	\$13,356	39.2%
Colorado	\$8,360	\$10,243	22.5%
Connecticut	\$10,512	\$13,824	31.5%
Delaware	\$10,290	\$13,353	29.8%
DC	\$2,070	\$2,070	n/a
Florida	\$7,944	\$9,335	17.5%
Georgia	\$7,455	\$9,439	26.6%
Hawaii	\$8,286	\$9,131	10.2%
Idaho	\$6,763	\$9,066	34.1%
Illinois	\$9,533	\$12,803	34.3%
Indiana	\$9,232	\$12,240	32.6%
Iowa	\$7,589	\$11,541	52.1%
Kansas	\$6,650	\$9,397	41.3%
Kentucky	\$6,921	\$9,400	35.8%
Louisiana	\$6,304	\$7,973	26.5%
Maine	\$9,361	\$11,826	26.3%
Maryland	\$10,846	\$14,108	30.1%
Massachusetts	\$9,206	\$13,687	48.7%
Michigan	\$9,841	\$12,658	28.6%
Minnesota	\$8,146	\$11,958	46.8%
Mississippi	\$7,181	\$9,019	25.6%
Missouri	\$8,201	\$11,356	38.5%
Montana	\$7,607	\$9,867	29.7%
Nebraska	\$7,335	\$10,704	45.9%
Nevada	\$8,252	\$10,464	26.8%
New Hampshire	\$11,717	\$14,651	25.0%
New Jersey	\$11,998	\$16,349	36.3%
New Mexico	\$7,085	\$8,675	22.4%
New York	\$10,254	\$12,441	21.3%
North Carolina	\$7,080	\$9,450	33.5%
North Dakota	\$6,405	\$9,011	40.7%
Ohio	\$10,449	\$15,256	46.0%
Oklahoma	\$6,000	\$8,451	40.9%
Oregon	\$9,397	\$12,177	29.6%
Pennsylvania	\$11,087	\$14,771	33.2%
Rhode Island	\$11,104	\$13,541	21.9%
South Carolina	\$9,065	\$12,165	34.2%
South Dakota	\$6,979	\$8,944	28.2%
Tennessee	\$7,661	\$9,445	23.3%
Texas	\$7,634	\$10,233	34.0%
Utah	\$6,623	\$8,348	26.0%
Vermont	\$12,836	\$15,658	22.0%
Virginia	\$8,744	\$11,616	32.8%
Washington	\$8,917	\$11,902	33.5%
West Virginia	\$7,287	\$9,450	29.7%
Wisconsin	\$7,385	\$9,872	33.7%
Wyoming	\$7,017	\$8,514	21.3%
United States	\$8,655	\$11,441	32.2%

SOURCE: National Center for Education Statistics, Digest of Education Statistics, 2001 and 2005.

## RISING COST OF COLLEGE IN THE STATES: TUITION, FEES, ROOM & BOARD FOR PRIVATE FOUR-YEAR COLLEGES

STATE	2000-01	2004-05	PERCENT INCREASE
Alabama	\$14,248	\$17,520	23.0%
Alaska	\$14,378	\$21,423	49.0%
Arizona	\$14,935	\$19,448	30.2%
Arkansas	\$13,361	\$17,040	27.5%
California	\$24,993	\$30,186	20.8%
Colorado	\$23,599	\$27,361	15.9%
Connecticut	\$27,818	\$33,965	22.1%
Delaware	\$14,041	\$17,368	23.7%
DC	\$27,143	\$31,594	16.4%
Florida	\$19,800	\$23,793	20.2%
Georgia	\$19,743	\$24,734	25.3%
Hawaii	\$15,997	\$17,866	11.7%
Idaho	\$17,783	\$11,388	-36.0%
Illinois	\$21,941	\$26,966	22.9%
Indiana	\$21,390	\$26,490	23.8%
Iowa	\$19,454	\$23,012	18.3%
Kansas	\$15,627	\$19,736	26.3%
Kentucky	\$14,727	\$19,262	30.8%
Louisiana	\$22,154	\$26,583	20.0%
Maine	\$22,689	\$28,371	25.0%
Maryland	\$26,034	\$30,515	17.2%
Massachusetts	\$28,669	\$35,470	23.7%
Michigan	\$16,040	\$19,286	20.2%
Minnesota	\$21,556	\$25,946	20.4%
Mississippi	\$13,717	\$16,460	20.0%
Missouri	\$17,852	\$21,431	20.0%
Montana	\$14,298	\$17,918	25.3%
Nebraska	\$16,381	\$19,725	20.4%
Nevada	\$17,397	\$20,594	18.4%
New Hampshire	\$24,525	\$29,728	21.2%
New Jersey	\$23,860	\$29,751	24.7%
New Mexico	\$18,985	\$19,304	1.7%
New York	\$25,171	\$30,907	22.8%
North Carolina	\$20,169	\$24,600	22.0%
North Dakota	\$11,392	\$12,525	9.9%
Ohio	\$21,045	\$25,594	21.6%
Oklahoma	\$15,397	\$19,168	24.5%
Oregon	\$23,306	\$27,493	18.0%
Pennsylvania	\$24,779	\$30,637	23.6%
Rhode Island	\$26,157	\$30,907	18.2%
South Carolina	\$17,583	\$21,237	20.8%
South Dakota	\$15,398	\$18,076	17.4%
Tennessee	\$18,139	\$22,035	21.5%
Texas	\$16,973	\$22,218	30.9%
Utah	\$8,576	\$10,521	22.7%
Vermont	\$22,312	\$27,261	22.2%
Virginia	\$18,700	\$23,277	24.5%
Washington	\$21,510	\$26,021	21.0%
West Virginia	\$18,338	\$19,067	4.0%
Wisconsin	\$20,271	\$24,574	21.2%
Wyoming	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>
United States	\$21,907	\$26,489	20.9%

SOURCE: National Center for Education Statistics, Digest of Education Statistics, 2001 and 2005.

## GRADUATING COLLEGE STUDENTS & DEBT

STATE	Percent of Undergraduates with Loans	Average Debt per Graduate
Alabama	60%	\$17,277
Alaska	48%	\$12,948
Arizona	48%	\$16,089
Arkansas	57%	\$17,383
California	50%	\$15,340
Colorado	52%	\$16,833
Connecticut	64%	\$19,093
Delaware	45%	\$15,694
DC	58%	\$21,675
Florida	54%	\$18,574
Georgia	56%	\$15,337
Hawaii	31%	\$14,716
Idaho	71%	\$24,527
Illinois	58%	\$16,104
Indiana	55%	\$18,506
Iowa	72%	\$22,025
Kansas	61%	\$16,029
Kentucky	50%	\$15,579
Louisiana	60%	\$17,531
Maine	62%	\$18,341
Maryland	49%	\$15,054
Massachusetts	61%	\$17,353
Michigan	56%	\$17,941
Minnesota	71%	\$19,468
Mississippi	60%	\$14,534
Missouri	62%	\$15,678
Montana	69%	\$16,920
Nebraska	61%	\$17,356
Nevada	39%	\$12,818
New Hampshire	64%	\$21,332
New Jersey	57%	\$16,450
New Mexico	36%	\$12,746
New York	64%	\$17,594
North Carolina	54%	\$16,484
North Dakota	74%	\$21,331
Ohio	63%	\$19,665
Oklahoma	55%	\$16,297
Oregon	63%	\$18,105
Pennsylvania	70%	\$19,866
Rhode Island	60%	\$20,826
South Carolina	58%	\$16,734
South Dakota	81%	\$18,889
Tennessee	47%	\$19,346
Texas	53%	\$16,618
Utah	45%	\$11,039
Vermont	68%	\$20,604
Virginia	58%	\$16,474
Washington	54%	\$17,601
West Virginia	66%	\$17,697
Wisconsin	62%	\$16,815
Wyoming	n/a	n/a
United States	62%	\$17,500

SOURCE: Project on Student Debt, 2004.

## Percent of Family Income Needed to Pay for One Year at a Four-Year Public College, After Financial Aid

STATE	PERCENT OF FAMILY INCOME
Alabama	27%
Alaska	21%
Arizona	30%
Arkansas	26%
California	32%
Colorado	24%
Connecticut	29%
Delaware	30%
DC	<i>n/a</i>
Florida	25%
Georgia	24%
Hawaii	23%
Idaho	22%
Illinois	30%
Indiana	29%
Iowa	28%
Kansas	23%
Kentucky	22%
Louisiana	23%
Maine	34%
Maryland	29%
Massachusetts	31%
Michigan	32%
Minnesota	23%
Mississippi	26%
Missouri	27%
Montana	31%
Nebraska	24%
Nevada	27%
New Hampshire	32%
New Jersey	34%
New Mexico	27%
New York	32%
North Carolina	25%
North Dakota	25%
Ohio	36%
Oklahoma	23%
Oregon	34%
Pennsylvania	35%
Rhode Island	35%
South Carolina	32%
South Dakota	23%
Tennessee	27%
Texas	26%
Utah	18%
Vermont	41%
Virginia	26%
Washington	31%
West Virginia	29%
Wisconsin	22%
Wyoming	24%
United States	28%

SOURCE: National Center for Public Policy and Higher Education, 2004.

## Borrowers Across the Nation Would Save Thousands from Democratic Plan to Cut Student Interest Rates

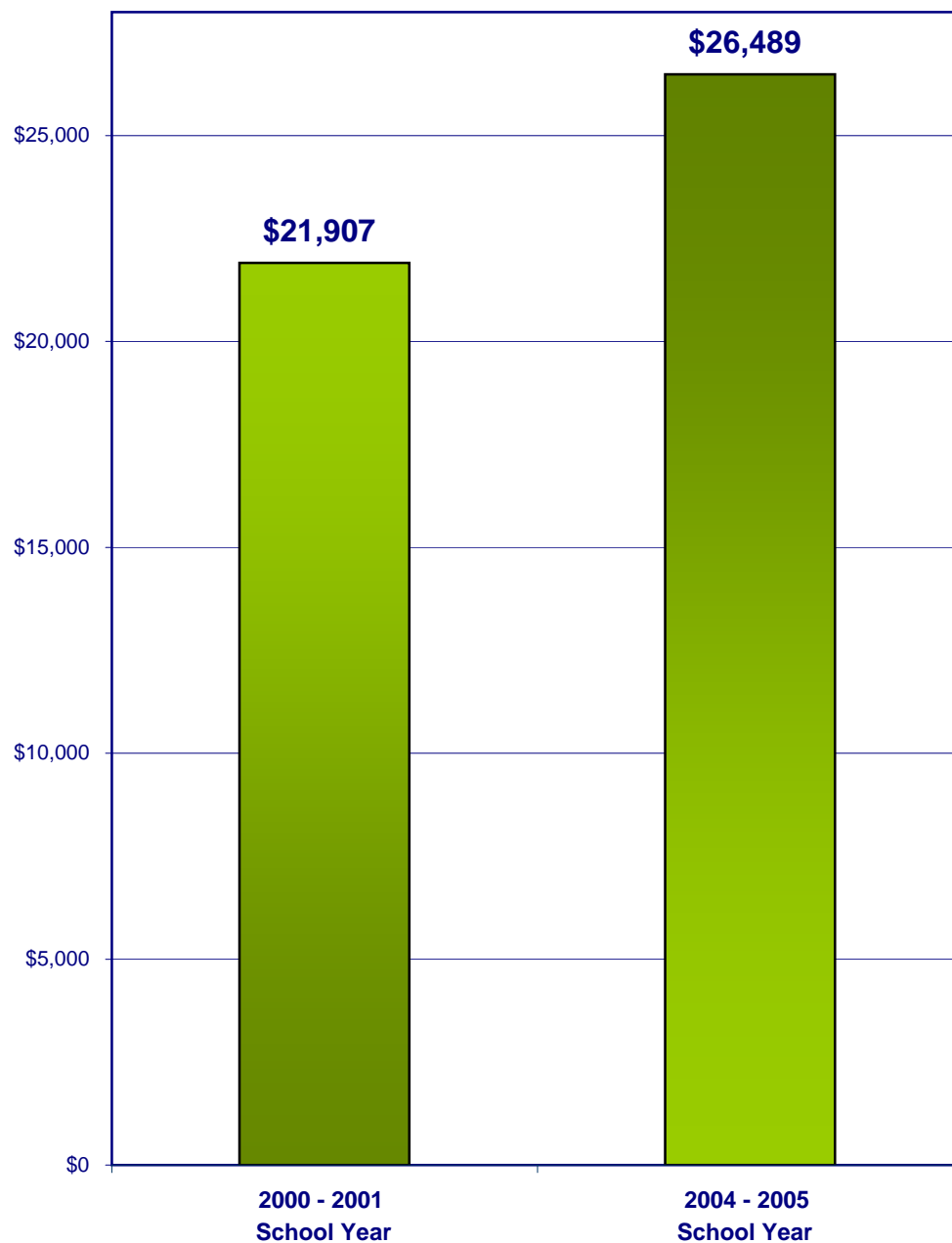
STATE	Savings for Average Borrower with Democratic Interest Rate Cut
Alabama	\$5,525
Alaska	\$4,141
Arizona	\$5,146
Arkansas	\$5,560
California	\$4,907
Colorado	\$5,385
Connecticut	\$6,107
Delaware	\$5,020
DC	\$6,933
Florida	\$5,941
Georgia	\$4,906
Hawaii	\$4,707
Idaho	\$7,846
Illinois	\$5,152
Indiana	\$5,920
Iowa	\$7,045
Kansas	\$5,127
Kentucky	\$4,984
Louisiana	\$5,608
Maine	\$5,867
Maryland	\$4,815
Massachusetts	\$5,550
Michigan	\$5,739
Minnesota	\$6,228
Mississippi	\$4,648
Missouri	\$5,015
Montana	\$5,412
Nebraska	\$5,551
Nevada	\$4,101
New Hampshire	\$6,823
New Jersey	\$5,262
New Mexico	\$4,077
New York	\$5,627
North Carolina	\$5,272
North Dakota	\$6,823
Ohio	\$6,291
Oklahoma	\$5,213
Oregon	\$5,790
Pennsylvania	\$6,354
Rhode Island	\$6,661
South Carolina	\$5,352
South Dakota	\$6,043
Tennessee	\$6,188
Texas	\$5,315
Utah	\$3,531
Vermont	\$6,590
Virginia	\$5,269
Washington	\$5,630
West Virginia	\$5,661
Wisconsin	\$5,379
Wyoming	n/a
United States	\$5,600

SOURCE: Calculations by Office of House Democratic Leader Nancy Pelosi.

## Tuition, Fees and Room & Board at Four-Year Public Colleges Has Skyrocketed by 32% Since 2000-2001



## Tuition, Fees and Room & Board at Four-Year Private Colleges Has Skyrocketed by 21% Since 2001-2001

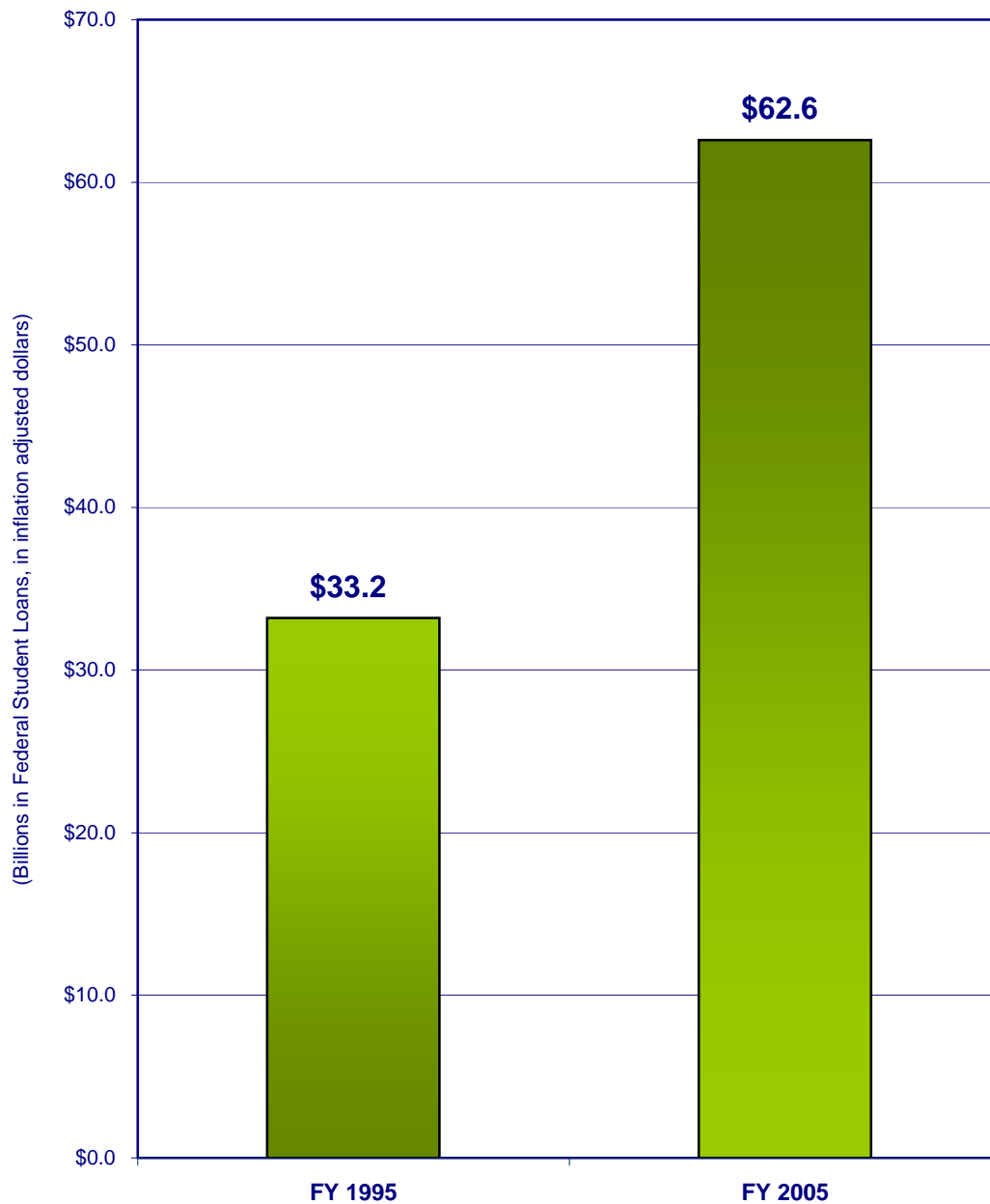




## Amount of Federal Student Loan Debt of Typical Undergraduate Borrower Has Skyrocketed by 96 Percent in 10 Years



## More and More Students Are Relying on Loans to Finance College - Volume of Loans Has Almost Doubled



## Years to Pay Off Student Debt

### How Long Graduates With Student Debt Believe It Will Take To Pay Off Loans

